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COMMERCE FOR 3132/USFCS/OIO/EAP/WZARIT
TREASURY FOR OASIA/LMOGHTADER
USTR FOR STRATFORD, ALTBACH

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [PREL](#) [CH](#) [TW](#)
SUBJECT: TAIWAN WAITS FOR PRC RESPONSE ON SAND EXPORT
REQUEST

REF: TAIPEI 297

[¶1.](#) (SBU) Summary: Effective March 1, the PRC banned sand exports, which supply nearly 25 percent of Taiwan's sand needs for construction. Taiwan has requested cross-Strait consultations to negotiate relaxation of the ban for Taiwan, but Beijing has not yet agreed to a meeting. In the meantime, Taiwan has moved to increase imports from the Philippines, use local stockpiles and expand local production. End summary.

[¶2.](#) (U) The PRC banned all sand exports on March 1, approximately one year after initially announcing its intention to do so. Taiwan's local construction industry relies on imports of PRC sand. According to the Taiwan Ministry of Economic Affairs (MOEA) Bureau of Bureau of Mines, Taiwan imported 30 million metric tons of river sand from China in 2006 accounting for nearly 25 percent of sand used in Taiwan. Taiwan's own sand resources are unable to meet demand as sand extractors have been forced farther upriver to sources where the sand has higher stone content. An MOEA official speculated to AIT that exports to Taiwan accounted for more than 90 percent of the PRC's total sand exports prior to the ban.

Seeking Consultations

[¶3.](#) (SBU) The Taiwan authorities have requested cross-Strait consultations to negotiate a relaxation of the ban. Beijing concluded talks in February with Hong Kong and Macao in which it agreed to continue sand exports. According to media reports, PRC officials have also expressed willingness to work out a similar arrangement with Taiwan. Each side has appointed a semi-official trade entity to nominally lead the discussions. Taiwan appointed the Taiwan External Trade Development Council (TAITRA), while China named the Association for Economy and Trade across the Taiwan Strait. However, MOEA and Mainland Affairs Council officials separately told AIT on March 20 that Beijing had not yet agreed to a meeting.

Searching for Other Sources

[¶4.](#) (U) Taiwan is working on developing alternative

sources for sand. Taiwan firms have increased investment in the Philippines. MOEA believes that investment could increase Philippine sand exports to Taiwan from 110,000 metric tons in 2006 to 3.5 million metric tons this year. Taiwan officials have urged local firms to release their stockpiles of sand. MOEA estimates this could add another 2.3 million metric tons to the market. In addition, Taiwan firms are being encouraged to accelerate dredging in Taiwan and increase the capacity to grind stone into sand. However, MOEA officials acknowledge these measures will not be sufficient to meet the short fall caused by the PRC ban.

15. (SBU) The price of sand has stayed relatively stable, rising only about 1 percent. However, if there are no consultations within the next month or two, MOEA estimates the price could rise by approximately 7 percent after the busy season for construction begins.
YOUNG